



DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended September 30, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Dexter District Library	County Washtenaw
Audit Date September 30, 2005	Opinion Date November 18, 2005	Date Accountant Report Submitted to State: December 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

November 18, 2005

To the Library Board
Dexter District Library
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Dexter District Library, Washtenaw County, Michigan as of and for the year ended September 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dexter District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Dexter District Library, Washtenaw County, Michigan as of September 30, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2005

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended September 30, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the past year. Assets as of September 30, 2005, totaled \$754,623.68, of which \$429,395.40 represented capital assets net of depreciation. Overall, assets decreased by \$6,226.47 from the prior year.

Overall revenues were \$464,923.58. Overall expenditures were \$455,042.91. These results were due to significant attorney, architectural and consulting fees associated with the planning for ballot issues to provide the Library with a new facility and an increased operating income. These fees, in the amount of approximately \$44,973.00 were a planned expenditure from previous years' fund balances and are not ongoing expenses.

The tax base increased by 3.63%.

The Library did not incur any new debt during the year. The Library did not purchase any significant capital assets during the reporting year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Library and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Library in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the Library's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2005

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Library are reported as governmental activities. At this time, the Library only maintains a General Fund. The Library has no additional funds for specialized services or debt service accounted for separately.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Library's funds, focusing on significant (major) funds not the Library as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Library Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Library has the following types of funds:

Governmental Funds: All of the Library's activities are included in the general fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The Library's combined net assets for the year ended September 30, 2005, were \$754,623.68. Due to building constraints, the Library did not purchase any significant capital assets during the reporting year.

Net assets for the Library decreased by \$6,226.47 during the year ending September 30, 2005.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

General Fund: This fund is used to record all the Library's financial activities not required to be recorded in a separate fund. The major source of revenue for this fund comes from the Library District's tax base. Additional sources of revenue in the General Fund come from State aid, local penal fines, fees for in-house services such as copying, overdue fines, grants, interest income and gifts.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: No new capital assets were purchased during the reporting year.

Long-Term Debt: Compensated absences payable were \$11,494.68 at September 30, 2005.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Library continued planning for the future and submitted ballot issues for a 20 year bond issue of \$7.835 million for construction of a new facility and a second ballot issue of 0.7 mills for six years for increased operating funds. Voters approved both issues at the November 8, 2005 election. The increased operating millage is expected to generate approximately \$652,201.00 in operational income. The Library is currently acquiring the land for the new location, starting with the schematic design process and beginning the planning and zoning process with the Village of Dexter. The new facility is planned to be 25,000 square feet.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2005

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Library's accountability for the revenues it receives. If you have any questions regarding this report, please contact Paul McCann, Dexter District Library Director at 8040 Fourth Street, Dexter, Michigan, 48130, phone 734-426-4477 between the hours of 9:00 AM and 5:00 PM Monday through Friday.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	179 252 66
Investments	157 420 30
Petty cash	<u>50 00</u>
Total Current Assets	<u>336 722 96</u>
NON-CURRENT ASSETS:	
Capital Assets	548 592 00
Less: Accumulated Depreciation	<u>(119 196 60)</u>
Total Non-current Assets	<u>429 395 40</u>
TOTAL ASSETS	<u><u>766 118 36</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Compensated absences payable	<u>11 494 68</u>
Total Non-current Liabilities	<u>11 494 68</u>
Total Liabilities	<u>11 494 68</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	429 395 40
Unrestricted	<u>325 228 28</u>
Total Net Assets	<u>754 623 68</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>766 118 36</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended September 30, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
District Library	<u>471 150 05</u>	<u>22 254 97</u>	<u>(448 895 08)</u>
General Revenues:			
Property taxes			382 440 42
State aid			14 049 12
Penal fines			34 450 89
Interest			6 843 77
Miscellaneous			<u>4 884 41</u>
Total General Revenues			<u>442 668 61</u>
Change in net assets			(6 226 47)
Net assets, beginning of year			<u>760 850 15</u>
Net Assets, End of Year			<u>754 623 68</u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2005

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	179 252 66
Investments	157 420 30
Petty cash	<u>50 00</u>
Total Assets	<u><u>336 722 96</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>336 722 96</u>
Total fund equity	<u><u>336 722 96</u></u>
Total Liabilities and Fund Equity	<u><u>336 722 96</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
September 30, 2005

TOTAL FUND BALANCE – GOVERNMENTAL FUND	336 722 96
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	548 592 00
Accumulated depreciation	(119 196 60)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds	
	<u>(11 494 68)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>754 623 68</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year ended September 30, 2005

	<u>Total (General)</u>
Revenues:	
Property taxes	382 440 42
State aid	14 049 12
Penal fines	34 450 89
Interest	6 843 77
Miscellaneous	<u>27 139 38</u>
Total revenues	<u>464 923 58</u>
Expenditures:	
Culture and recreation:	
Library:	
Salaries	214 105 99
Employee benefits	21 660 73
Payroll taxes	16 549 00
Supplies	11 666 56
Books and materials	66 618 98
Utilities	9 565 31
Insurance	7 776 00
Professional services	49 495 02
Cooperative fees	33 046 66
Repairs and maintenance	4 326 00
Miscellaneous	<u>20 232 66</u>
Total Expenditures	<u>455 042 91</u>
Excess of revenues over expenditures	9 880 67
Fund balance, October 1	<u>326 842 29</u>
Fund Balance, September 30	<u><u>336 722 96</u></u>

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended September 30, 2005

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 9 880 67

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (12 503 12)
Capital Outlay -

Increase in non-current liability for compensated absences payable is an expense in the
statement of activities but is not an expenditure in the governmental funds (3 604 02)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (6 226 47)

The accompanying notes are an integral part of these financial statements.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Dexter District Library, Washtenaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Library contain all the Library funds that are controlled by or dependent on the Library's executive or legislative branches.

The reporting entity is the Dexter District Library. The Library is governed by an elected Library Board. As required by generally accepted accounting principles, these financial statements present the Library as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Library reports only one fund as follows:

- The General Fund is used to record the operations of the Library which pertain to maintaining and operating the Library. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Library. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. The Library 2004 tax roll millage rate was .4461 mills.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	3-50 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Library's governmental funds is recorded as an expenditure and liability in the respective funds. Employees may accumulate up to one year's days of vacation leave and are not paid for unused sick leave upon termination of employment.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Post-employment Benefits

The Library provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Library Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Library Board during the fiscal year.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library Board has designated two banks for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Library's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>179 252 66</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>79 252 66</u>
Total Deposits	<u>179 252 66</u>

The Library's investments are categorized below to give an indication of the level of risk assumed by the Library. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Library or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Library's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Library's name.

The GASB Statement No. 3 risk disclosures for the Library's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

Note 3 – Deposits and Investments (continued)

	(1)	(2)	(3)	Carrying Amount
Nonrisk-Categorized: Financial Institution Pooled Funds				157 420 30
Total Investments				157 420 30

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Library's Governmental activities for the current year was as follows:

	Balance 10/1/04	Additions	Deletions	Balance 9/30/05
Land	29 533 00	-	-	29 533 00
Building	421 935 00	-	-	421 935 00
Equipment	97 124 00	-	-	97 124 00
Total	548 592 00	-	-	548 592 00
Accumulated Depreciation	(106 693 48)	(12 503 12)	-	(119 196 60)
Net Capital Assets	441 898 52	(12 503 12)	-	429 395 40

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 10/1/04	Additions	Deductions	Balance 9/30/05
Compensated absences	7 890 66	3 604 02	-	11 494 68
Total	7 890 66	3 604 02	-	11 494 68

Note 6 – Deferred Compensation Plan

The Library matches one half of the cost of an annuity of each full-time employee's gross wages up to a maximum of 5%. The total amount paid by the Library during the fiscal year ended September 30, 2005, was \$5,257.11.

Note 7 – Pension Plan

The Library does not have a pension plan.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

Note 8 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DEXTER DISTRICT LIBRARY
Washtenaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	378 629 00	378 629 00	382 440 42	3 811 42
State aid	12 277 00	12 277 00	14 049 12	1 772 12
Penal fines	25 500 00	25 500 00	34 450 89	8 950 89
Interest	4 500 00	4 500 00	6 843 77	2 343 77
Miscellaneous	<u>23 550 00</u>	<u>23 550 00</u>	<u>27 139 38</u>	<u>3 589 38</u>
Total revenues	<u>444 456 00</u>	<u>444 456 00</u>	<u>464 923 58</u>	<u>20 467 58</u>
Expenditures:				
Culture and recreation:				
Library	<u>444 456 00</u>	<u>492 998 54</u>	<u>455 042 91</u>	<u>(37 955 63)</u>
Total expenditures	<u>444 456 00</u>	<u>492 998 54</u>	<u>455 042 91</u>	<u>(37 955 63)</u>
Excess (deficiency) of revenues over expenditures	-	(48 542 54)	9 880 67	58 423 21
Fund balance, October 1	<u>-</u>	<u>48 542 54</u>	<u>326 842 29</u>	<u>278 299 75</u>
Fund Balance, September 30	<u>-</u>	<u>-</u>	<u>336 722 96</u>	<u>336 722 96</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 18, 2005

To the Library Board
Dexter District Library
Washtenaw County, Michigan

We have audited the financial statements of the Dexter District Library for the year ended September 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Dexter District Library in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Library Board
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In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Library's financial statements and this communication of these matters does not affect our report on the Library's financial statements, dated September 30, 2005.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants